

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Midwest Bank of Hinsdale, Hinsdale, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **September 30, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated Satisfactory.

The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location and current economic conditions. This is primarily accomplished through the origination of small business and commercial, residential real estate, and consumer loans. The bank has an adequate loan-to-deposit ratio, and the majority of its loans are originated within its assessment area. Management has developed adequate policies and procedures to avoid prohibited discriminatory or other illegal credit practices in its lending activities. No complaints were received by the institution regarding its CRA performance.

The following table indicates the performance level of **Midwest Bank of Hinsdale, Hinsdale, Illinois** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	MIDWEST BANK OF HINSDALE PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	No low- or moderate-income geographies are contained within the assessment area.		
Response to Complaints	No complaints were received since the bank became a member of the Federal Reserve System.		

DESCRIPTION OF INSTITUTION

The Midwest Bank of Hinsdale, Hinsdale, Illinois, with total assets of \$116 million as of June 30, 1996, is a subsidiary of First Midwest Corporation of Delaware, a multi-bank holding company located in Melrose Park, Illinois. The bank's main office is in Hinsdale, and it operates one branch in Downers Grove. Both of the bank's facilities include drive-up access and automated teller machines (ATM). The bank offers deposit and loan services for both retail and commercial customers. There are no factors limiting the bank's ability to meet the credit needs of its assessment area. The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, product offerings, and current economic condition. The bank does not face any legal constraints that would impede its Community Reinvestment Act (CRA) activities.

Midwest Bank of Hinsdale's primary business focus is commercial banking, with commercial and industrial loans being the predominant loan product. According to the June 30, 1996 Consolidated Report of Condition, commercial and industrial loans, and residential real estate loans comprise 40.2% and 28.9%, respectively, of the bank's loan portfolio.

The bank's primary competitors, all located in Hinsdale, include: Harris Bank Hinsdale, National Association; Hinsdale Federal Bank for Savings; Hinsdale Bank & Trust Company; and a branch of the First National Bank of Chicago. The bank also receives strong competition for mortgage loans from several mortgage companies in the area.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's main office is located in Hinsdale, Illinois, approximately 15 miles west of Chicago. The assessment area is defined as 17 census tracts, #8444 through #8457.02 in the Chicago Metropolitan Statistical Area (MSA), all located in DuPage County. The assessment area contains, wholly or in part, the municipalities of Hinsdale, Burr Ridge, Oak Brook, Oak Brook Terrace, Westmont, Clarendon Hills and Darien.

According to the 1990 U.S. census data, the population of the assessment area is 127,309. Minorities comprise 10.0% of the population. The adjusted median family income for the assessment area is \$58,755, while the corresponding median family income for the MSA and the State of Illinois are \$42,758 and \$38,664, respectively. The total number of families in the assessment area is 35,106, of which 2,624 (7.5%) are low-income families; 4,177 (11.9%) are moderate-income families; 7,435 (21.2%) are middle-income families; and 20,870 (59.4%) are upper-income families.

The 1990 U.S. census data indicates that the housing stock in the assessment area consists of 50,036 housing units, of which, 36,641 or 72.8% are owner-occupied, and 11,725 or 23.3% are rental units. The median housing value and age are \$158,216 and 33 years, while the median gross monthly rent is \$606.

The DuPage County employment, and economic growth and development, based on the U.S. Department of Labor statistics, is primarily reliant on manufacturing, retail trades and the service industry. According to the Illinois Department of Labor, the July 1996 unemployment rates for DuPage County and the State of Illinois were 3.4% and 5.2%, respectively while the July 1995 unemployment rates were 3.3% and 5.0%, respectively.

Community representatives indicate that Hinsdale and much of the surrounding areas are landlocked, and have little room for new expansion. Much of the recent development occurred through expansion of existing small businesses, and demolition of old, homes to facilitate the construction of large new homes. The area's population is generally changing from older residents to young families with children. The contacts indicated that the financial institutions in the area are meeting the credit needs of the community.

The bank's assessment area meets the requirement of the regulation in that it consists of one or more contiguous political subdivisions, contains all geographies where it has an office, and consists of only whole census tracts. Additionally, the assessment area does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

Loan-to-deposit Ratio

An analysis of the bank's Consolidated Reports of Condition over the past seven quarters, beginning December 31, 1994, revealed an average loan-to-deposit ratio of 63.12%. This is considered adequate to meet the standards for satisfactory performance, given bank's size, financial condition, and the assessment area's credit needs. According to the Uniform Bank Performance Report (UBPR) dated June 30, 1996, the bank's average loan-to-deposit ratio compared favorably with the peer group's loan-to-deposit ratio of 63.97%.

Lending in Assessment Area

The examination loan sample was reviewed regarding lending activity within the assessment area. The following table summarizes the geographic distribution of the loan sample:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Real Estate Mortgage	10	6	60
Home Equity Lines of	10	7	70

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Credit			
Installment	10	4	40
Single Payment	10	7	70
Overdraft Protection	9	5	55
Commercial	10	9	90
Total Approved	59	38	64.4

As the preceding chart illustrates, 64.4% of sampled loans were made within the bank's assessment area.

The bank's analysis of all loans originated in 1995, revealed that 168 of 272 loans, or 61.8% were made to individuals or commercial customers from within the assessment area. The CRA loan sample, which consists of the bank's two loan products with highest volume, mortgages and home equity lines of credit, for the period of January 1, 1996 to September 30, 1996, revealed that 20 of 30 (66.6%) mortgages, and 20 of 35 (57.1%) home equity lines of credit were within the assessment area. The bank's 1995 and 1994 HMDA data revealed that 2 of 8 (25%) and 7 of 17 (41.2%) loans, respectively, were within the bank's assessment.

Lending to Borrowers of Different income and Businesses of Different Sizes

The CRA sample revealed that no mortgages were originated to low- or moderate-income individuals, while 2 of 35 (5.7%) home equity lines of credit were to low- or moderate-income individuals (1 low-income and 1 moderate-income). The examination loan sample demonstrated that two of 38 (5.3%) loans originated within the assessment area were to low-income individuals. The bank's 1995 and 1994 HMDA data revealed that no loans were made to low- or moderate-income individuals.

The bank's analysis of small business loans, which includes all commercial loans originated between January 1, 1996, and September 30, 1996, revealed that 39 of 114 (34.2%) were to businesses that had annual revenues of less than \$1 million. Of the 114 loans originated, 54 were within the bank's assessment area, and 24 of the 54 (44.4%) were to small businesses with revenues under \$1 million.

Although the bank only originates a small number of mortgage loans and small business loans to low- or moderate-income individuals, this is not a concern at this time as the median price of a home in the assessment area is \$158,216, which is not affordable for the majority of low- or moderate-income individuals, and the fact that the bank is located in a very competitive lending environment for both mortgage and small business loans.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not applicable, as there are no low- or moderate-income geographies within the assessment area.

Response to Substantiated Complaints

No complaints were received concerning the bank's CRA activities.